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Louisiana Partnership for Technology and Innovation

***Financial Statements for the Years Ended
June 30, 2004 and 2003 and Independent
Auditors' Report***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/16/05

INDEPENDENT AUDITORS' REPORT

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Louisiana Partnership for Technology and Innovation (the "Partnership") as of June 30, 2004 and 2003 and the related statements of unrestricted revenues, expenses, and other changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Partnership at June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2004 on our consideration of Louisiana Partnership for Technology and Innovation's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

December 27, 2004

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2004 AND 2003

ASSETS	2004	2003
CURRENT ASSETS:		
Cash and cash equivalents	\$ 92,208	\$ 74,455
Accounts receivable	38,131	36,497
Other	<u>8,018</u>	<u>7,883</u>
Total current assets	138,357	118,835
LONG-TERM INVESTMENTS	52,485	60,077
FIXED ASSETS—Net	<u>2,780</u>	<u>4,369</u>
TOTAL ASSETS	<u>\$ 193,622</u>	<u>\$ 183,281</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued vacation	\$ 17,861	\$ 14,492
Other accrued liabilities	<u>11,943</u>	<u></u>
Total current liabilities	29,804	14,492
NET ASSETS—UNRESTRICTED	<u>163,818</u>	<u>168,789</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 193,622</u>	<u>\$ 183,281</u>

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES AND OTHER CHANGES IN UNRESTRICTED NET ASSETS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
UNRESTRICTED REVENUES:		
Contributions, contracts and grants	\$ 383,047	\$ 375,000
Interest	<u>268</u>	<u>387</u>
Total unrestricted revenues	<u>383,315</u>	<u>375,387</u>
EXPENSES:		
Salaries and benefits	278,417	265,850
Writedown of investments	7,592	8,798
Consulting and professional services	19,938	21,279
Rent	22,854	22,854
Depreciation and amortization	1,589	1,589
Insurance	11,499	10,618
Other	<u>46,397</u>	<u>38,551</u>
Total expenses	<u>388,286</u>	<u>369,539</u>
CHANGE IN NET ASSETS	(4,971)	5,848
NET ASSETS—Beginning of year	<u>168,789</u>	<u>162,941</u>
NET ASSETS—End of year	<u>\$ 163,818</u>	<u>\$ 168,789</u>

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,971)	\$ 5,848
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,589	1,589
Writedown of investments	7,592	8,798
Increase in accounts receivable	(1,634)	(36,497)
Increase in other current assets	(135)	(952)
Increase in accrued vacation and other current liabilities	<u>15,312</u>	<u>2,909</u>
Net cash provided by (used in) operating activities	<u>17,753</u>	<u>(18,305)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,753	(18,305)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>74,455</u>	<u>92,760</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 92,208</u>	<u>\$ 74,455</u>

See notes to financial statements.

LOUISIANA PARTNERSHIP FOR TECHNOLOGY AND INNOVATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Gulf South Research Foundation, doing business as Louisiana Partnership for Technology and Innovation (the “Partnership”), is a private non-profit organization chartered in 1978 under Louisiana non-profit corporation law. The Partnership pursues the goal of assisting in the economic diversification of Louisiana by fostering the creation and growth of small emerging enterprises.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents—The Partnership considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Long-term Investments—The Partnership records investments in emerging enterprises at cost and adjusts the carrying value for impairment that is deemed to be other than temporary. When an investment is determined to be impaired, the carrying value of the investment is adjusted through a charge to “Writedown of Investments.” Management’s judgment as to the impairment of individual investments involves the analysis of financial information and ratios; consideration of current and anticipated economic conditions and their potential effects on the emerging enterprises; and management’s internal review of its investment portfolio. The Partnership capitalized salaries and benefits directly related to services performed for the respective enterprises. In 1999, the Partnership discontinued the acceptance of equity interests for the services it performed.

Fixed Assets—Fixed assets purchased or capitalized under leases are depreciated on the straight-line method over estimated useful lives of three to ten years.

Contributions—The Partnership records contributions at their realizable value when such contributions are made.

Income Taxes—The Partnership, in general, is exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. FIXED ASSETS

Fixed assets consists of the following at June 30, 2004 and 2003:

	2004	2003
Furniture and equipment	\$ 33,788	\$ 33,788
Less accumulated depreciation	<u>(31,008)</u>	<u>(29,419)</u>
Fixed asset—net	<u>\$ 2,780</u>	<u>\$ 4,369</u>

3. RETIREMENT PLAN

Employees of the Partnership who have completed the required service period are eligible to participate in the Partnership's retirement plan. The contributions of the Partnership and its employees are applied to the purchase of retirement annuities on an individual basis. The Partnership's contributions to the plan were \$19,556 and \$19,874 during the years ended June 30, 2004 and 2003, respectively, and are included in salaries and benefits.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

Louisiana Partnership for Technology and Innovation
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Partnership for Technology and Innovation (the "Partnership"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, described as follows. Under Louisiana Revised Statute 24:514, audited financial statements must be filed with the State within six months after the end of the fiscal year. Due to personnel turnover at the Partnership which occurred in late 2004, the audit could not be completed within the six month period.

During the fiscal year ended June 30, 2004 the Partnership was the victim of a fraud perpetrated by a former accounting employee involving the forgery of checks, interception of receipts and falsification of bank statements. The Legislative Auditor of the State of Louisiana was notified of the fraud once it was identified and received a report of the investigation and a summary of the findings. We assisted the Partnership in such investigation and issued our report thereon dated July 20, 2004. The amount of the fraud was determined to be approximately \$38,000 and such amount was accrued as a receivable in the June 30, 2004 financial statements and subsequently recovered prior to September 30, 2004. The fraudulent scheme was enabled in part by certain deficiencies in the segregation of duties resulting from the small number of personnel employed by the Partnership. Subsequent to June 30, 2004 the Partnership implemented additional procedures in response to the fraud to enhance controls over the bank reconciliation process so as to minimize the risk of similar frauds occurring.

This report is intended solely for the information and use of the Board of Directors, management, and the State of Louisiana Legislative Auditor, and state funding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Debitte & Touche LLP

December 27, 2004